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BOSNIA-HERZEGOVINA: BEYOND ELECTIONS
POLICY OPTIONS FOR CANADA

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BOSNIA-HERZEGOVINA: BEYOND ELECTIONS POLICY OPTIONS FOR CANADA

Summary Report

INTRODUCTION

What follows is a summary report of a consultation on post-election Bosnia-Herzegovina held in Ottawa on October 8, 1996. The purpose of the consultation was to develop policy options for Canada that will promote peace and stability in the region and contribute to the continued implementation of the Dayton Peace Accords. The participants at the consultation focused their efforts in three areas: democracy and the rule of law; security; and economic and social reconstruction.

The meeting was attended by more than 100 participants from the government and non-governmental sector, including a number of distinguished Canadians and experts from abroad. Justice Richard Goldstone, the former Chief Prosecutor, International War Crimes Tribunal for the Former Yugoslavia and Rwanda, gave the opening address and Foreign Minister Lloyd Axworthy spoke to the participants and entertained questions prior to lunch.

The meeting lasted a full day and included three plenary sessions, in which specialists and practitioners addressed the above mentioned issues and engaged in discussion with the participants. Following these plenary sessions, the participants broke into three working groups, each tasked with addressing one of the three conference themes: democracy and the rule of law, security in a post-election Bosnia, and economic and social reconstruction.

The working groups, which included a chair and rapporteur, were tasked with developing policy options or refining those that were identified in the plenary sessions. The rapporteurs reported on the results of their discussion at a working dinner that evening. The following week, the consultation organizers met with the chairs and rapporteurs to further refine the policy options that arose from the day's proceedings. This report is the end result of that process.

This consultation was the second of two meetings on Bosnia funded by the John Holmes Fund at the Canadian Centre for Foreign Policy Development. Funding was also provided by the Walter and Duncan Gordon Foundation and the Howard Webster Foundation. The consultation was sponsored by the Canadian Peacebuilding Coordinating Committee and the Parliamentary International Forum. It was organized by Professor Fen Hampson, Associate Director, The Norman Paterson School of International Affairs, Carleton University, Gregory Wirick, Associate, Parliamentary Centre, and Robin Hay, Partner, Global Affairs Research Partners.

This report will be submitted to the Office of the Minister of Foreign Affairs. It includes an overview of the discussion on each theme and recommended policy options.

I) DEMOCRACY AND THE RULE OF LAW

Overview

In Bosnia, elections with no deaths and no major incidents should be regarded as a significant success. At least for the short term, the elections also added a degree of stability to a volatile area. But there is a downside. Success would not have been possible without the willing and highly motivated cooperation of the three ruling parties. Their objectives were met: consolidating and legitimizing their ethnically based and authoritarian inclined political systems; crushing the opposition (especially in Muslim and Croat areas). In other words a success for elections, but not necessarily for democracy. It should also be noted that the elections would not have been so relatively unscathed by incident if the municipal elections had not been suspended. Another irony of the process was that it served to cement the ethnic divisions created by the war. The principal aggressor and ethnic cleansing parties (SDS and HDZ) have secured votes of confidence.

The conflict was stopped only a year ago. Wounds are not healed. Passions and risks remain high. U.N. sanctions have been lifted and international leverage is declining. In the circumstances, should Canada keep its shoulder to the Bosnian wheel or should we walk away and redirect our energies to more promising areas of need?

In our view, Canada should remain committed to the Dayton concept and to its remodelling to meet evolving realities. So far Dayton has provided and IFOR has implemented a resilient cease fire. With determined and reasonably unified international will, a viable framework, in which peace can be preserved and rehabilitation pursued, should be possible.

Looking at Canadian involvement, it is important to note that the technical success of the election process would not have been possible without an experienced and dedicated Canadian contribution. However, in the overall picture, Canadian influence is small and we remain a marginal player in political and military issues.

Membership in the Contact Group would confer more influence. Access to the Contact Group, however, will probably mean that Canada will have to put more chips on the table. (eg. a similarly-sized but better equipped and more combat versatile military contribution, an enhanced contribution to governance reform and police professionalization.)

Policy recommendations

Strengthening political parties

- Canadian politicians, parliamentarians and appropriately experienced individuals could offer their services to help with party professionalization, including organization, campaigning, financing, etc.
- In partnership with other countries, Canada should set up a "one-stop" shopping governance co-op in Bosnia Herzegovina to provide information and technical assistance on legislative and administrative processes (including human resources, electoral support, civic education, etc.)
- Canada and its allies should avoid forcing the democracy timetable where undue acceleration could be counterproductive.
- Canada should encourage Bosnians to use political party agents at polling stations and assist in their training.
- Canada should assist in the development of a domestic NGO capacity, or public agency, to oversee fair and free elections.
- Canada should invite political party representatives to come to Canada on study tours.

Civic education

- Canada should support mediation initiatives and send Canadian mediators to Bosnia if requested.
- Canada should encourage Bosnians to incorporate democratic ideals in their school curriculum, assist in training teachers, and help organize democracy simulations for students (similar to a Canadian program in which high school students come to Ottawa to hold a mock Parliament).
- Canada should support the development of a free and independent media by providing information and guidance, as well as organizing media seminars, media exchanges and other initiatives.
- Canada should support inter-ethnic initiatives.

Legal apparatus

- Canada should ensure that high priority is given to further development of the ombudsman system which is an important part of low-level legal aid.
- Canada should provide professional help to the Bosnian government to develop a legal aid system.
- Canada should continue to implement specific elements of the Dayton Accord which relate to an independent judiciary.

Professionalization of police forces

- Canada should work with other countries to further develop the work of the International Police Task Force.
- Canada should develop a roster of qualified people who could provide human rights training.
- Canada should assist in the development of an early warning system for human rights abuses.

II) THE SECURITY DIMENSION

Overview

There was consensus on the security panel that the situation in Bosnia and Herzegovina remains critical. Fighting between Serbs, Muslims and Croats ceased after the signing of the Dayton agreement, but a recurrence of hostilities is not improbable. The fact that

Bosnia consists essentially of three "statelets" which are heavily armed, economically devastated, and authoritarian in nature, does not bode well for Bosnia's future. The absence of justice--exemplified most clearly by the slow repatriation of refugees and the non-arrests of indicted war criminals--means that the potential for conflict is high.

According to the panellists, there are four areas of security where policy-makers should focus their attention: military security, arms control, police, and individual security. Bosnia's military security will require a re-examination of the IFOR structure and mandate, while ensuring that a substantial military force remains for at least the next two years. Regional arms control agreements signed in Vienna in June 1996 will continue to be monitored by the OSCE, and the International Police Task Force (IPTF) will likely expand its work in the area of human rights monitoring, training and police restructuring. The individual security of Bosnians, however, rests in the hands of the three governing parties.

Policy recommendations

IFOR mandate

- Canada should encourage and support an extension of the IFOR mandate until after the next elections in 1998, stressing the fact that it will take at least two years to establish the basis upon which a durable peace can be built.

- Canada should encourage the United States to maintain a ground force component in the IFOR structure. U.S. troops are key to preserving the credibility of IFOR and the Dayton Accord.

- Canada should recommend a broader and more flexible mandate for IFOR-2 to allow greater leeway for commanders at the local level in conflict prevention and damage control. IFOR should increase its capacity for tracking down and arresting indicted war criminals.

- IFOR's mandate should strengthen support to the OSCE in overseeing regional stabilization agreements. It should ensure that any equipping or training of military forces fall within the limits imposed by these agreements.

- Canada should recommend a more aggressive arms control regime under the OSCE with stronger supervision, improved inspection mechanisms and on-site verification stations. Canadian involvement in such a regime should be considered.

- IFOR should also support enhanced confidence and security building measures (CSBMs) under the direction of the OSCE. Canada could take the lead in providing experienced personnel and in carrying out specific measures.

- IFOR's mandate should strengthen its cooperation with the IPTF in providing security and monitoring human rights. Both mandates should be extended for another two years.

- Canada should support expanded demining activities in Bosnia Herzegovina - including support for the Mine Action Centre in Sarajevo - as well as continue to take the lead on the signing of an international treaty banning all landmines.

Diplomatic initiatives

- In recognizing the importance of Belgrade and Zagreb to the future of Bosnia Herzegovina, the international community should continue to apply pressure on Tudjman and Milosevic to prevent interference or encouragement of secessionist movements. The use of a series of carrots and sticks--foreign aid, trade and membership in international organizations--should be reinforced in order to urge Serbia and Croatia to cooperate, including on the issue of war crimes.

- Canada should recommend the launching of an information campaign to convince Bosnians in every faction about the justice of bringing indicted war criminals before the International War Crimes Tribunal in the Hague.

- Canada and its allies should put pressure on the governing parties of Bosnia to respect

international human rights laws. Canada should also advocate the continued collection of evidence of war crimes allegations.

- Canada should push for mediation of the dispute in Brc'ko. The preferred option would be to put the area under international control for a limited period of time.

- Canada should support the North Atlantic Council as the main international decision-making body so that Canada has an equal voice on matters relating to Bosnia. Since Canada's voice is equal to its contribution, Canada should maintain its present level of commitment even if IFOR's size decreases considerably in the near future.

III) ECONOMIC AND SOCIAL RECONSTRUCTION

Overview

The economic panel made clear the point that economic growth is not the most important ingredient for creating a lasting political solution in Bosnia and Herzegovina, but it is an essential component of peace building. As Christine Wallich of the World Bank stated, economic growth gives each party a stake in peace. The first donor conference held in London this year raised $1.8 billion in pledges, but not all donors have made good on their commitment. In addition to international assistance, Bosnia's economic and social reconstruction depends to a great extent on the creation of stable financial institutions and the implementation of sound economic policies. Policy-makers must devise ways of promoting foreign investment and fostering private sector business in order to wean Bosnia off foreign assistance.

Policy Recommendations

General

- Canadian economic and social reconstruction assistance in Bosnia must continue to be targeted, while at the same time remain flexible, due to financial constraints on Canada's aid program. It must also be multidimensional in its approach, finding a balance between multilateral assistance programs on the one hand, and Canadian initiatives and bilateral assistance on the other.

- Canada must not lose sight of the fact that economic and social reconstruction serve two functions: creating income and wealth, and confidence building. They are part of a strategy to achieve peace and stability, not a strategy to be initiated after peace has been achieved. Economic reconstruction is vitally and functionally linked to security, re-integration of ethnic groups, political stability and nation-building.

- Reconstruction assistance in the foreseeable future must be viewed as something between emergency humanitarian assistance and normal development assistance (as defined by the World Bank). Reconstruction must be accompanied by economic restructuring from a centrally-planned economy to a liberal, market-driven economy. The psychological as well as job-creating importance of small and micro enterprises should be recognized.

Economic reconstruction

- The most urgent and important economic objective in Bosnia is to create jobs and re-employ those who were gainfully employed before the war. In employment and re-employment programs, Canadian policy choices should favour:
  -- opening and broadening economic and commercial links between different ethnic communities;
  -- a "bottoms-up" approach, helping and fostering local initiatives and in particular small and medium-sized businesses;
  -- basic needs and public services;
  -- labour-intensive rather than capital-intensive projects since the priority is clearly to employ people at least cost, rather than securing international economic competitiveness;
  -- job training as a vital component of restructuring.

- Canadian assistance should expand in the areas of informational or software infrastructure. Canadian expertise could contribute greatly, and at little cost, to the development and

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training in:
-- an internal revenue service and financial police;
-- arbitration of business disputes;
-- information management at social or business office level;
-- object-oriented, client/server-based information networks and systems;
-- setting up of chambers of commerce and linking them to Canadian counterparts.

- Canada can contribute significantly to the rebuilding of residential dwellings and other buildings destroyed in the war by providing technical expertise, technology transfers and appropriate job training for implementation of new technologies. This would introduce Canadian firms possessing such technologies into a new market which is destined to grow for a long time - especially those industries based on wood and waste material.

- Canada should consider setting up a facility similar to the World Bank's *Industry Project Guarantee Facility* to encourage Canadian private investors to seek investment and joint venture opportunities in Bosnia.

Social reconstruction

- Canadian assistance should continue to focus on community-based initiatives and rehabilitation in the social sector.

- Canada should encourage the development of grass roots NGOs that are not based solely on the Western model. Bosnians should draw on the experience and expertise of other types of social organization such as retired military personel, pensioners, women, self-help groups, volunteers, civic fora, independent media, human rights advocates, etc.

- Canada must recognize and help convince other participants in the assistance effort, that reconstruction is a long, slow process and that social reconstruction efforts must be carried on systematically through the next elections and well beyond.

- Additional policy recommendations include:
-- encouragement of and working with local NGOs to ensure that they become a long-term part of the society and don't close or fail the moment foreign aid runs out;
-- encouraging the establishment of sound environmental standards and environmental awareness;
-- Canadian policy-makers and Canadian NGOs should tap into the experience, expertise and skills of Bosnian-Canadians.

The Role of International Financial Institutions

Christine Wallich
World Bank

INTRODUCTION

Many challenges lie ahead in the post-election period, political, military and economic. We have realized how much economic recovery is key to a lasting political solution.

Economic problems--jobs, housing, health care, schools, factories that work, farms that produce--in short, normal life--these are the problems that need to be solved if peace is to last.

Rebuilding the economy is not the only ingredient, of course. But, a growing economic pie allows all communities to have a stake in peace, and the prosperity it brings them. Without growth, cooperation and collaboration are almost impossible; with it, what before was a zero sum game, can benefit all.

So, what is the "economic scorecard" so far? In many ways it is quite dramatic. Twelve months ago, when Sarajevo was still under siege, the cease fire had yet to be signed, and Dayton was still just a city in Ohio, discussions of economic support had not even begun. Bosnia was not a member of the Bank nor the IMF, and the odds against either seemed insurmountable, given arrears and other hurdles. A donor-financed recovery program was light years away.

So where are we now?

- **First**, considering the obstacles, we are making good progress in reconstruction on the ground;

- **Second**, a lot more remains to be done;

- **Third**, and most important, Bosnia holds the key to the future in its own hands. Even with strong external support, it will be the *domestic* policies in Bosnia that determine the pace of recovery, and the outlook for the future.

Progress in reconstruction

Reconstruction has picked up, after a slow start. Donors conferences in Brussels raised just over $1.8 billion for the first year of the Government's $5.1 billion, 3-4 year reconstruction program.

- The program gives across-the-board support for all areas of infrastructure to prevent bottlenecks, and emphasizes jobs and growth, while providing basic services in health, education and housing.

- It gives priority to building institutions to deliver basic services, and design supportive economics policies--even more important, now, after the elections--when joint institutions such as the central bank, and the ability to manage coordinated trade and customs policies, will be key.

- Finally, it promotes reform, private investment and the transition to a market economy, since this is where the real impetus for growth will come.

Goal A "normal" economy, creditworthy economy, that can overcome aid-dependency.

So, back to the scorecard: During 1996, donors shifted from crisis management to reconstruction. To date, some $880 million of the almost $1.9 billion pledged at Brussels is under implementation, and about $550 million is disbursed.

But the numbers cannot tell the full story--that normal life is beginning again in many parts of Bosnia. Power and water are slowly coming back, thanks to the rehabilitation of three major power plants and four transmission lines, and water projects in twenty-two cities. Commerce is picking up--thanks in part to some $8 million in lines of credit to small and medium businesses. Over 15,000 homes will be habitable again. 400,000 families are getting social support payments, and other services for the vulnerable financed by donors.

No Room for Complacency

On the donor side, about $470 million of the almost $1.9 billion pledged for 1996 is not yet firmly committed. Some $640 million of the $1.5 billion that *is* firmly committed still awaits tendering. Half of the 56 countries and organizations that pledged have yet to implement their projects on a large scale, and some are not in the picture at all.

Canada's own program is noteworthy in this regard. Of Canada's $30 million commitment to Bosnia, about $12 million in projects supporting health reconstruction, landmine clearing, and peace implement have already been disbursed. The balance is planned for activities to support energy and housing reconstruction, water management, and social support. This is a very good record.

Back to the scorecard. The situation is particularly serious in infrastructure: The shortfall in energy is over $130 million; and in transport $150 million is needed just to meet Bosnia's priority needs this year, not to speak of next. And school and hospital rehabilitation has been slow, with only half of the 90 schools on the government's priority list financed.

Better coordination among donors, which we are trying to promote through the sector task forces in the field will help avoid these gaps and ensure the government's priority program, not less urgent projects, are financed. Coordination on the ground has been a challenge. Cooperation has taken place on a new scale involving a host of different agencies: NATO, IFOR, ISFOR, UNHCR, IMF, the Work Bank, to mention but a few.

Of course, on the Bosnian side, ensuring transparency in the use of donor resources is key, if this kind, or scale, of assistance is to be forthcoming. And Bosnians will have to match donor efforts. Donors will not finance if they see their resources only replace not supplement, a domestic efforts.

Bosnia's Challenge

While we--the donors--are doing quite a bit, and will need to do more, ultimately, the success or failure of Bosnia's recovery depends on the Bosnians themselves.

To give donors confidence, Bosnia needs to create government structures that promote economic stability and effective delivery of services in the post-election period--and then to make these institutions work.

A start has been made in building Federation institutions, such as bank supervision, customs and tax administration, after a rocky start and even several steps

backward, and still more needs to be done.

The major challenge now is to set up the vital joint institutions for the country as a whole--most importantly the central bank--and to put in place the policies that will promote economic integration--notably customs and trade policies at the State level. The Republika Srpska needs to make up for lost time on the reform front, especially as regards privatization and restrictive trade practices. Bosnia also needs to restart the reforms begun before the war--privatization of the state-owned systems, and the overhaul of banks.

This is no small agenda, but it is vital if donors are to provide more than just minimal support. We are working closely with our partners in Government in all these areas, together with the IMF and many others, to begin the process of transition to sustainability, and ultimately, we hope, a return to creditworthiness, Bosnia's medium term goal.

Role of the World Bank

- First, Bosnia is a top priority, not just because it is a human crisis where we think our economic expertise can help, but because helping in post-conflict situations is a critical new role for us in the post-Cold War world.

- We have been moving quickly; 13 projects are underway--agriculture, power, heating, transport, rehabilitation of health facilities and schools, housing, mine clearing, water supply, jump-starting small and medium industries with lines of credit. We've given direct fiscal and balance of payments support for a package of institution-building reforms in the Federation, and we are also directly targeting employment creation with three projects for demobilization, micro-credit and public works.

- Third, we have close partnerships with the EU, the EBRD, UN agencies such as UNHCR, and the many NGOs working successfully on the ground. The resources that we--the Bank--bring into the picture are a small drop indeed. Our resource transfer will likely be less than 10 percent of the total program: So, we have used our resources as seed capital access a range of sectors, in collaboration with other donors, to get the biggest possible impact on the ground.

- Our partnership with the government of Bosnia is also key--since it is they, not we, who implement the programs that we finance.

- So far, we have committed $325 million of the $350 million pledged at Brussels, with $218 million under implementation, and $132 million disbursed.

- For the future, infrastructure will remain important, but we will focus more on the private sector. As in other TSEs, but even more so, government cannot be the employer of everyone--so, we are thinking creatively about how to help. An *Industrial Support Guarantee Project* will give guarantees against political and war-related risks that still prevent interested foreign firms from doing business with Bosnia. This will help Bosnian companies restart their once-highly profitable commercial relations with private sector abroad, and draw on foreign credits and investment. Many donor country companies have expressed interest, and we hope their governments will be responsive to this interest. Micro credit for poor, pre-entrepreneurial groups are a part of this overall effort.

Bosnia has recently joined MIGA, whose guarantees can provide comfort to private investors. IFC has launched a venture capital fund for Bosnia--just two seeks ago, and is exploring small scale credit through private banks. These and other efforts are part of our support for Bosnia's transition to a market-based economy.

Conclusions

Let me close by stressing again how important rebuilding Bosnia's economy is for the political outcome. A stagnant or shrinking economy will only increase tension and divisions. And tensions in Bosnia cast a cloud over the entire region that will jeopardize the economic future, and even political future of the region.

But of course, economics is not <u>all</u> that matters. A lot has to fall in place for Bosnia to have a chance. On the donor side, we need full financing for the reconstruction program, good donor coordination, and significant debt relief from both bilateral and private creditors in the Paris and London Clubs.

On the Bosnian side, we need progress in building government institutions, and responsible economic policies. Above all the Entities have to cooperate among themselves, and concentrate on creating growth and jobs for the entire population of Bosnia, and not on politics.

There will certainly be ups and downs, as in any peace process. We all need to view this as a multi-year effort. Most of the huge undertaking still lies ahead--for Bosnia, and for us. Together with the EU, we plan another donors conference, assuming government leadership and institutions are in place in Bosnia, that permit us to focus on 1997 needs. Bosnia will remain a top priority for the Bank and we remain convinced that peace can only be built on economic development that gives all communities a stake in the future and a common interest in cooperation.

Working closely with the government, the EU and other donors and NGOs on the ground, the World Bank will do everything we can to make it happen.

Dayton's Bosnia After the 1996 Election: State-Building and Stabilization Without Illusions

Dr. Lenard J. Cohen
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Any visitor to Bosnia in recent months cannot fail to notice that the overall situation is far better than one year ago, and vastly better than two years ago. Indeed, the election in Bosnia, on September 14th, occurred almost exactly a year after the NATO bombing campaign helped to bring about an end to hostilities in the region. The recent election also came at roughly the nine month point for the NATO-led IFOR deployment that was established to help implement the Dayton peace accord.

Technically, as we know, Bosnia-Herzegovina exists as a state. Indeed that state, created in 1992, is now recognized by 107 countries. But such recognition is the easy part of the renewed state-building experiment started at Dayton last November. Even the principal architect of what might be called 'Dayton Bosnia', former U.S. Assistant Secretary of State, Richard Holbrooke, concedes four main areas of failure with respect to the implementation of the Dayton accord: (1) there has been no large-scale return of refugees and internally displaced persons to their homes (roughly 220,000 out of 2.5 million refugees and displaced); (2) there is no real freedom of movement by the population of Bosnia among the country's ethnic sub-regions, and between its two entities (the Muslim-Croat federation and the Republika Srpska); (3) indicated war criminals are still very much at large--not to mention at-large unindicted criminals, and; (4) the country is profoundly divided along ethno-political lines, into what might be called a segmented state.

Those weaknesses aside, considerable controversy over the value of the Dayton accord itself still exists. This has come into sharp focus once again because of the recent election; a multi-party contest which also is a source of controversy. In brief, some commentators believe we have reached the beginning-of-the-beginning; while others regard Dayton and also the September 14th election, as the beginning-of-the-end. For some, the accord and election, as part of the Dayton process, provide a reasonably good basis for reconciliation and stability. For others, the same provisions and election constitute the first step toward the partition and eventual dismantling of Bosnia. It's really the classic problem: is the glass half full, or half empty?

On Dayton itself, supporters say the accord has provided peace; the judicious use of military force based on clear political goals; a "strategic innovation," which offers promise; which has successfully divided the combatants, and which has worked reasonably well. For detractors, on the other hand, Dayton is a flimsy house that temporarily ended the killing, but represents an inadequate compromise driven by the U.S. presidential election timetable, and which in large part, ratified Bosnian Serb war gains.

Controversy over the election is similarly divided. For some, the very holding of such a complicated election is seen as a vindication of Dayton, a "political platform" for future change; not flawless, but orderly; a "foundation" for moving towards the next step; not perfectly democratic, but "credible"; characterized by an absence of violence, by and large, "substantially, peaceful," even "dull" in the best sense. As you know, Ambassador Robert Frowick and the OSCE certified the election as a "reasonably democratic process with a reasonably democratic result," and claimed that the election will begin to reverse the country's centrifugal tendencies. Of course, we all remember the reservations voiced about the election before the vote, and the inner turmoil in the OSCE about whether to proceed with the election. A Bosnian Muslim summarized all this debate rather well, when he observed that the choice of either

having the election, or cancelling the election, was like the choice between "having a cold or cancer."

Still, for many, the election was simply another nail in the coffin for the Bosnia which had been constructed at Dayton. In this view, the results of the election, with substantial victories for the three principal nationalist parties, constitutes a guarantee that a united Bosnia-Herzegovina cannot function or flourish. And, of course, in this negative view, the various problems and irregularities of the election process are magnified. From the very critical negative perspective, the election turned out to be "pseudo-democratic legitimation of extreme nationalist power structures," that is, the outcome which the Swiss foreign minister warned about this past June.

The contending views on the Dayton accord and the election, I believe, are issues that well-intentioned and fair-minded people may differ about. It depends entirely on one's perspective, on one's political views, and a host of other factors, not least of which is one's personal level of moral indignation. On the election itself, I can say empirically, from my rather non-illustrious, but interesting vantage point as a short-term observer in Bosnia on September 14th, that the election was clearly a very uneven process depending on which of the some 4400 polling stations one happened to visit. Northwest of Tuzla, in a mixed Muslim-Croat area, where inter-ethnic co-existence remained a tradition, even during the war, I saw a rather credible election that didn't go all that badly (maybe such success was also due to the rich regional supply of plums for the local plum brandy). But elsewhere the picture was rather different.

Beyond the Election: The Problems Ahead

But all of the differences regarding Dayton and the election that I've mentioned are really a preface to the major issue which we are now primarily concerned with in relation to Bosnia. Namely, will the political leaders of Bosnia be able to breath life into the "common" institutions (or "joint" institutions) sketched at Dayton, and as of September 14th filled with formally elected politicians? Will those institutions prove to be "self-sustaining" structures, "sustainable" bodies that will encourage the emergence of a viable and reasonably democratic Bosnia-Herzegovina? Some of those institutions have just had their first meeting, and their members have been sworn in. A tremendous diplomatic effort has already been invested in the goal of nurturing those institutions, with staggering levels of resources committed, with political and economic carrots, and various sticks in place to facilitate digestion of the carrots.

Let's look at some of the basic problems facing the achievement of such democratization and viability, and some general trends. Very deep political divisions still are present in Bosnia. The election, rather than eliminating the nationalist forces, has legitimized them, although opposition candidates didn't do all that badly in some areas. But following the successful period of military stabilization over the last nine months, the election failed to break the hold of the wartime power structures, certainly not in the Republika Srpska, nor in the technically dissolved but still very much functioning Herzeg-Bosna of the Bosnian Croats. The ruling Muslim party, the SDA, also remains in place. Perhaps it would be fair to say that the Muslim side and the SDA has become more nationalist and more religious due to the war, and out of a sense of self-protection. But what is important for our analysis is that the SDA remains a group-oriented party arousing suspicion and fear, as in 1992, on the other two sides of the Bosnian ethno-religious triangle.

Adamantine Actors

We now find the three main presidential actors--Serb, Croat, and Muslim--placed uncomfortably together in a still artificial "common institution." Two days before the election, Momcilo Krajisnik, the Serbian victor for membership on the three-person presidency observed: "We cannot accept ethnic mixture any longer. We do not hate Muslims and Croats any more than they hate us." And Dragan Davidovic, the Bosnian Serb Minister of Religion pointed out: "For the first time in Bosnia we have an official state where Serbs can practice their culture, their religion...and way of life....If they [the minorities] want their children to learn the Serb view of history, to apply for identity cards in Cyrillic alphabet, to sing our anthem and salute our flag," he said, then "they are welcome." On the Croat side, the presidential actor, Kresimir Zubak, is more moderate in tone than Krajisnik. But he emphasizes that the Croats are more united than the other two nations, and will look after the Croatian community's interests. Again a strong group, rather than country-wide, orientation. Indeed, the vice-president of the major Croat party, the HDZ in Bosnia, Jadranko Prlic, observed that the Croats have never been so strong, and that the technically dissolved Herzeg-Bosna Croat enclave "will not die."

As for the Muslim presidential member, Alia Izetbegovic, and his predominantly Muslim SDA, one has only to look at their campaign slogan. "In your

religion, in your country, vote SDA." Or the SDA's graffiti: "The Croats know themselves, the Serbs are for themselves, and who will represent you...? Vote SDA." Granted, Mr. Izetbegovic has said that he doesn't wish to establish an Islamic state. As he observed after the election: "There are women who wear the veil, but there are also women in mini-skirts. No one is actively forcing anybody to dress in any way, nor forcing anybody to pray the way they don't want," he said. But while the radical fringe of the SDA is still not totally in control, and other Muslim parties are more committed to multi-ethnicity than the SDA, for most Croats and Serbs in Bosnia the main issue, as in 1992, is not the veil, but the question of power, and the fear of being subjected to a Muslim majority, however much the Muslim side is essentially secular. So, ethnic divisions, distinct group orientations, with little loyalty to the whole, are very dominant today. To be fair, more moderate voices did receive votes, but far fewer votes than the nationalists, and mainly in the cities rather than the villages. When the cancelled municipal election is finally held (and there remains a good deal of inner turmoil in the OSCE about this), we will probably see much the same result, if not even an even stronger showing for the established nationalists (I might add that the municipal election has the potential for being far more dangerous than even the September 14th vote, because of potential refugee movement).

So there will be enormous difficulties with regard to the operation of the joint institutions: the presidency, as well as the parliamentary assemblies, the national bank, judicial institutions, etc., which each have a rather different dynamic depending on their composition and role.

The Role of the International Community: Limits to Bosnian Transformation

In view of the situation I've just described, what should the international community, and Canada, do next? My view is that after December 19th, when the American build-down will really begin, the international community must maintain a military, political and economic presence in Bosnia in order to keep the peace. It must stay even if the Bosnian political scene is racked by paralysis and rancor. Such a presence should continue at least until the next major electoral round in two years, in order to provide security and to assist politically and economically.

But as we begin this post-IFOR stage in 1997, we should have our eyes open to a number of related difficulties and be under no illusions about what may result at the end of this next phase of Dayton Bosnia. Here, I only want to mention a few important aspects, which in my view, will colour Bosnia's future.

First, in two years time, no matter what the international community does--indeed, whether we arrest war criminals or not, whether we invest heavily in the Bosnian economy or not--Bosnia may very well evolve into a *highly decentralized triad of illiberal statelets*; i.e., into religiously and ethnically based ethnic democracies, that are at once semi-authoritarian and semi-democratic; in which the rule-of-law can be characterized as a kind of ethno-political justice reflecting the dominant position of the particular ethnic group controlling a region. This will probably and unfortunately mean violations of minority rights on a regular basis, and at best, a kind of low-intensity political warfare between dominant ethnic groups and minorities. Perhaps the best we can achieve is a more or less multi-ethnic Bosnia-Herzegovina divided into two entities under a weak central government that maintains a reasonable degree of social peace. However, even that situation will only result if the international community continues a very active involvement. Moderates in politics, moderates in the Bosnian legal community, in the security forces, and moderates in the intelligentsia and clergy of each major ethnic group, can only survive and flourish if there is a substantial international presence in the country.

For the near future, and with the presence of the international community--there will be no secession by the Serbs and Croats of Bosnia. U.S. Assistant Secretary of State John Kornblum, with the support of Yugoslavia's Slodoban Milosevic, has told the Bosnian Serbs, in no uncertain terms, for example, that if they try such a secessionist move, the United States will guarantee that they live as a pariah statelet, a jagged land, a state shaped like a salamander, economically impoverished and isolated. Temporarily, the Bosnian Serbs have got the message. For example, Mr. Krajisnik, while he has said he is not happy with Dayton Bosnia, has also observed that: "utopia has cost too much blood. Our wish to separate will always stay, but if we are not realistic, we have no future." Thus, Krajisnik showed up on September 30th at the first meeting of the newly elected presidency and made some rather optimistic comments. But the international community must be realistic as well. President William Clinton, Mr. Holbrooke, and Mr. Kornblum can prevent the Serbs and Croats of Bosnia from leaving Dayton Bosnia, and even force their leaders to talk politely with the

Muslims. However, it is highly doubtful that Bosnia will be a real and viable democracy in two years, or in five years, or in the first part of the next millennium. We will only know what kind of political system that has evolved in Bosnia after 1998, that is, at the point when Bosnia's destiny is truly in Bosnian hands, not as today, predominantly influenced by foreigners. Frankly, if I had to speculate on Bosnia in 2020, I would guess that Muslim Bosnia would be left as essentially a rump state, with Western Herzegovina joined with Croatia and the Republika Srpska joined with Yugoslavia. But that is prophecy, not analysis.

Turning to economic reconstruction for a moment. This is also very important, and can be quite crucial to positive development on the political front. But economic development, even at relatively substantial levels, does not always lead to democracy. Moreover, existing economic structures based on the strong control of local mafias, black marketeers, profiteers and gangsters may persist and even flourish in each part of Bosnia during the next decades. I agree with Bosnian Prime Minister Hasan Muratovic when he says that: "there will be no stable peace if there is no economic support." He wants $5.1 billion in aid over the next three years. Stimulating economic reconstruction in Bosnia, and also inter-entity trade and marketization in Bosnia is important, but let's not confuse it with the development of liberal democracy. Indeed, portions of the international assistance provided to the region may well be diverted to non-democratic power structures, misused, and achieve very little in terms of Dayton's goals. Additionally, unless we provide money and assistance to both entities, we may create the basis for new inter-regional inequalities, and also a hardening of the boundary lines among sub-regions, and between the two entities.

Military aid is another area where we must not have illusions about the future. The American effort to build-up the Muslim-Croat federation, to create a military balance in order to deter a renewal of fighting, can create a kind of equilibrium during the period when international forces are present in Bosnia. But such military build-up may also eventually unleash new fighting. Mr. James Pardew, who is coordinating the military build-up of the federation--Operation Equip and Train--using U.S. money and conservative Arab money--is well aware of the problem. As he pointed out recently: "We do not seek an offensive force, but in the future if somebody wants to fight, it will be more than fair." Pardew is correct. A fair fight is better than an unfair fight ... but it is still a fight. Perhaps that's why the Europeans are worried about the build-up of one side, rather than the build-down of both. Additionally, building a really united army on the federation side remains problematic because of the deep divisions between the Croats and Muslims.

An Uncertain Transition

Considered in broad terms, Bosnia is really just beginning its peaceful post-communist transition, after a violent interruption. The 1990-1992 period was a troubled prelude to the war of 1992-1995, and 1996 has really been a life-support system under an international protectorate. As we know, regime transition, even without outright war, is often accompanied by the noise of wild pluralism, by a "syndrome of weak central authority, unstable domestic coalitions, and high energy mass politics." If you combine such typical features of post-communist regime transition with the enormous scars, disruption, and devastation left by the recent war in Bosnia, you find yourself discussing an extraordinarily volatile and unstable political environment. Moreover, some of Bosnia's ruling political teams, and their military leaders, want to reopen issues and seek redress on the battlefield. On the Bosnian side, for example, such militants are eagerly awaiting the shipment of arms organized by Mr. Pardew.

Over the short-run, NATO will remain in Bosnia. As we all know, NATO has acquired a new mission in Bosnia. But the future political and military behaviour of the Bosnian Muslims, Serbs and Croats is an entirely different matter.

Other factors are also important to consider. For example, what role will be played by the leaders of Yugoslavia and Croatia. For the moment, for their own political reasons, they are cooperating with each other, and with NATO. Milosevic desperately needed the election to go smoothly in Bosnia on September 14th in order to rid himself of the sanctions against Yugoslavia, and to gain credibility for his own election in Yugoslavia early next month. Thus, Milosevic, the new icon of peace, can't help enough. As you saw last Thursday, he has also met with Bosnia's Izetbegovic in Paris and began moving towards full Yugoslav-Bosnian inter-state recognition and the normalizing of relations.

Within Bosnia, Milosevic has worked hard to subvert Radovan Karadzic's hold on the Bosnian Serbs, and to establish at least a smaller Greater Serbia controlled by Belgrade. In essence, Milosevic is really imitating Franjo Tudjman's successful hold over the Bosnian Croats in

Western Herzegovina. Maintaining a Greater Croatia (that Washington only chides Zagreb about now and then), Tudjman has gone along grudgingly with the Dayton process in order to preserve his alliance with the United States. But Tudjman has little interest in a strong Bosnia of three peoples. Thus, we do see important signs of a genuine Balkan normalization process, which does assist the Dayton process, and which today is an obstacle to Bosnia's partition. But in the long run, elites in Serbia and Croatia fully expect that Bosnia will remain, and indeed more deeply fall, into their respective spheres of influence. Indeed, surveys show that most leaders and citizens of the Serbian and Croatian communities in Bosnia expect that outcome.

Other potential Balkan flashpoints, such as the Kosovo issue and troubled Macedonia, may also change the attitude of Europeans and North Americans about the wisdom of staying in Bosnia. Today, a Bosnian presence for NATO may be seen as assisting broader Balkan stabilization. But future difficulties in those other areas may present an obstacle to further international involvement.

In conclusion, my overall view today is that NATO and the international community (and Canada to a carefully measured extent), should help keep Bosnia alive, to maintain peace and prolong the Dayton experiment, to preserve limited cohesion and a semblance of viability for a fledgling state. But, in doing so, we should not be under any illusions if the experiment soon falls far short of our goals. After all, for the effective operation of common political institutions in any state, there must be a fundamental consensus about the intrinsic value of that state among politicians and citizens. Such a consensus does not presently exist in Bosnia. Whether it ever will is really something the international community cannot determine, but only encourage. NATO should remain in Bosnia until after the 1998 election, but also make clear that, at that point, NATO's military commitment will substantially end. I expect that, Bosnia will then still be very decentralized, ethnically delicate, economically depressed, and still far less than a democratic state by Canadian standards. But if Bosnia is at peace, and at least building bridges rather than destroying them, then peace in the area will have been made more irreversible, and we will have achieved a good deal.

The Security Dimension in Post-Election Bosnia

Paul Koring[1]
The Globe and Mail

That Bosnia is at peace, or more accurately, that there is no longer a state of open warfare in Bosnia is justifiable cause for relief, both in that country and in the wider world. The danger is that if that absence of war is merely a pause, a prelude to further fighting and it is not accompanied by preparation for the worst, then the international community, and especially the West, will find itself caught out again, and ill-prepared to deal with what comes next.

That would be an unfortunate, perhaps disastrous repeat of much of what has happened over the last five years, where international efforts have often seemed to lag behind the reality on the ground. By that, I am referring to well-meaning but failed efforts, first to keep Yugoslavia together, second to avoid its disintegration turning violent, and, finally, to force or entice the warring parties to come to some sort of a just peace as the foundation for the rebuilding of the shattered country. If the current lull in the fighting is perceived as evidence that it is over, that the incomplete and perhaps ill-advised attempt to reconstitute multi-ethnic Bosnia as a single, federal, albeit very loose, single state, is a reality, then it will make the resumption of conflict all the more tragic.

It might be useful just for a moment to reflect briefly about what Yugoslavia, including Bosnia, was like only a few years ago, when the Berlin Wall fell and communism collapsed across eastern Europe. At that time, as the West cheered the rebirth of nationalism as Eastern Europeans threw off the communist masters and discarded the notion of the brotherhood of modern socialist man, Yugoslavs were almost unique. Their economy was relatively sound, they could obtain passports and travel, their currency was convertible, and they enjoyed something of a special status in the West. I make reference to this, not because I think there is any hope of, or even value in, reconstructing Yugoslavia as it was, but simply to try and demonstrate the enormity of what has happened, and what the ordinary citizen has lost.

The grim reality today is that multi-ethnic Yugoslavia has been turned into a handful of small, largely ethnically homogeneous states, most of them armed to the teeth, with economies ranging from the impressively transformed, as in Slovenia, to more or less

complete collapse. Bosnia, as it often has been in the long, often brutal history of the south Slavs, is a microcosm of former Yugoslavia.

Bosnia is not, as some politicians would have us believe, some sort of single state struggling to rebuild a civil society based on the Dayton Agreement. Rather it is three tiny and unviable statelets. Two of them, the Croat region of Herzegovina and Bosnia Serpska remain more closely tied to their adjacent mother states than to the government in Sarajevo. Meanwhile the third, which once was the dream of a multi-ethnic Bosnia, has been ground by war, exodus and the lack of meaningful support from the West into an increasingly Muslim and embittered state.

This is not the forum to discuss what went wrong, where the international community failed and what might have been done differently to avoid the catastrophic transformation of Bosnia. The point, simply, is that the mere holding of elections, has not, in my mind changed the larger reality. Indeed, the election results seem to have confirmed the realities, divisions and population displacements caused by war and ethnic cleansing. And that larger reality is that the probability of war resuming in Bosnia remains high and the risks of it sparking, or being sparked by other conflict in the Balkans, which was held up as the nightmare scenario and the justification for much of the international involvements between 1992 and 1995, remains.

Just as the 1991 deal that ended the Croatia war proved unviable, and unjust, because many of its key elements, notably the right of return were never met, it would be unwise from a policy planning standpoint to presume that the current absence of war is anything but a pause in Bosnia.

Unjust peace leaves the fires of grievance and loss smouldering and usually sets the stage for renewed war. Whether Dayton as written is unjust is debatable. Dayton as largely unimplemented is demonstrably unjust.

And if there is renewed war in Bosnia it will be, as it was in Croatia, after a period of rearmament, and therefore even more violent albeit shorter than the long, largely stalemated conflict between 1992 and 1995.

All of which may seem an unwelcome prognosis but at the very least a not unlikely one. In terms of the security dimension, it raises two fundamental issues. What, if anything can the international community, and for practical purposes when discussing Bosnia, that now means the West, do to prevent a resumption of war, and what stance should it take if it happens.

As always, this amounts to a question of political will--a commodity noticeably absent when the protestations, ultimatums and promises of Western leaders are compared to what has been tolerated, even endorsed to date.

The implications are pretty severe even beyond new horrors and countless more deaths. The UN was widely discredited, for the perceived failure of the blue helmets in Bosnia (and elsewhere) even though the real failure was an absence of political will, which left UN troops without the means or the mandate to do anything more than they did. But now it is NATO on the ground in Bosnia and the alliance cannot afford to seem equally powerless. Yet that may be exactly the situation in which a diminished IFOR finds itself should fighting renew.

More importantly, NATO nations need to at least consider what their forces will be expected to do, if war resumes. Will they stand aside, as UN forces did when Croatia launched offensives to regain control over Serb-held territory. In effect the question becomes, will the government in Sarajevo, be allowed to, or at least not prevented from, making war to regain control over all of the territory of a supposed sovereign Bosnia-Herzegovina.

To date, western governments have seemed willing to ignore large chunks of the Dayton Agreement just as significant portions of the deal that ended the Croatian war were allowed to go unfulfilled as long as there was no unpleasant carnage upsetting their publics on the television. But that kind of wilful and selective willingness to allow important elements of the pact to slide into abeyance may actually increase the chance of renewed war.

To cite just one: the deliberate unwillingness of the world's most powerful military alliance to even attempt to apprehend indicted war criminals, especially those who continue to wield political authority even if they don't actually hold office, sends a clear message. That message is that the violent carve-up of Bosnia into three separate and ethnically homogeneous entities has been silently accepted.

If that is to be the case, then it might actually reduce the chance of a resumed war to simply say so. To do otherwise is to maintain the fiction that somehow Bosnia is going to be whole again. That fiction is seemingly being maintained in the face of a quite different reality: a stubborn and outdated adherence to one element of the Helsinki accords that states there should be no redrawing of boundaries in Europe by force. In my view, boundaries have been withdrawn and it hobbles policy

making to pretend otherwise.

I want to turn for a moment to Canada's involvement, or rather lack of involvement, since the current government came to power. Whether the previous Conservative government was right in being at the forefront of Western and international policy-making in the early years of the Yugoslav disintegration is for historians to judge. But it stands in sharp contrast to the current Liberal government which has adopted a much lower profile, both in terms of troops on the ground and its involvement at the international political level. I don't think there is anything wrong with that as a policy, but it may be worth saying so bluntly. If the Balkans are not to be a foreign policy priority for Canada then it might be wiser to get out entirely rather than be a bit player.

There are just two other points I would like to briefly mention, although neither is directly concerned with Bosnia. The first is that what's left of federal Yugoslavia, that is Serbia and Montenegro, remains the only place in formerly communist Europe that has not thrown out its government since 1989. While the voices for reform, if not revolution, have been largely silenced by the exodus of much of the so-called intelligentsia and the inevitably rallying around the flag that accompanies a perceived state of victimisation, I think that a transition is inevitable. Mr. Milosevic has proved himself the most wily and adept politician in the Balkans, able to shift from Titoist to arch-nationalist to peacemaker. But for all his pragmatism, I think he is eventually doomed. The possibility of a violent revolution in Serbia or, as happened in Romania, a coup d'etat masquerading as a revolution, shouldn't be discounted because it too could have security implications reaching beyond its borders.

Not only could strife in Serbia trigger renewed conflict in Bosnia but it could also be the spark that ignites Kosovo and vice versa. And the whole question of nationalist aspirations among Kosovo's Albanians and the still-vexed issue of Greater Albania remains the second, and too-often overlooked, problem that bedevils the Balkans.

It seems to me that the dangers of being sanguine about the Balkans in general and Bosnia in particular have been, if anything, increased by the current state of non-war without the resolution of those very things that set the stage for future conflict. We are still dealing with a region where millions of families have suffered personal loss, where huge chunks of the population have been ethnically cleansed, where bitterness and loss is universal, and where there remains a widespread and justified perception that the international community has failed to address that sense of grievance or demand the justice that is the basis for enduring peace.

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[1] The views do not necessarily reflect those of my employer, The Globe and Mail.

Bosnian Economic Security After 1996

John R. Lampe
Susan L. Woodward

The most unambiguous support for a Bosnia-Herzegovina that will reconnect its constituent parts with each other and, at the same time, with its neighbors and the Western world, comes from its surviving business community, not just in the Muslim-Croat Federation but also in the Republika Srpska (RS). That support presumes that a Western community, led politically by the United States, will continue to tender promised financial support through at least the next Bosnian elections, already scheduled for two years hence. This view is shared by American and European negotiators at Dayton who built a peace process on the assumption that war will start again if demobilized soldiers do not have jobs and if profits in peacetime enterprise are not larger than those from warfare and criminal activity.

But will the $5.1 billion promised in aid or loans explicitly for 1996-98--only $600 million of which is direct U.S. assistance--be delivered effectively to the benefit of private enterprise and legal employment? The establishment of IFORII has been a promising sign. Bosnian business leaders saw no chance of success without the continued presence after 1996 of a NATO contingent, much reduced but with a few American feet still on the ground. Indeed, they regarded a complete IFOR withdrawal with no follow-on force after 1996 as the greatest single threat to a secure but open environment for conducting legal business and any prospect for at least economic reconnection of the separate Bosnian parts and the return of refugees with management and business skills.

Civilian foundations for a market transition in the fashion of East Central Europe remain to be laid in the divided Bosnian economy. The impact and even the presence of Western economic assistance or programs was barely beginning to be felt by the summer of 1996. Business opinion plus several representatives of

international organizations saw the much-maligned September elections as a necessary precondition to laying foundation stones like a commercial code and banking system. Prior to those elections and the start of some legislative process, most business initiatives beyond the swarm of new cafes that line the central streets of Sarajevo had consciously been kept on hold.

These were the principal long-term conclusions from our consecutive July 1996 trips to Bosnia-Herzegovina, the first of three expeditions intended to inform the joint Atlantic Council-Wilson Center project on "Bosnia and Balkan Security After 1996." We focused on the prospects for a secure commercial environment and economic recovery. Our sources of information were, we hope, representative, a purpose aided by our competence in the local language.[1]

Let us set down the major obstacles that still confront the conduct and therefore the growth potential of secure legal business before turning to the Western response, present and future.

OBSTACLES TO SECURE LEGAL BUSINESS

The economy of Bosnia and Herzegovina did not approach the end of 1996 at ground zero, but it was still much reduced from its prewar level. We may emphasize that its 1991 level was "under-developed" only by West European standards, placing it almost exactly at the overall average for the former Yugoslavia. Wartime disruption and division even more than destruction have reduced the industrial capacity now in operation to 20 percent of the prewar level for the Federation and slightly less in the RS. In addition, some of the used and unused capacity is now obsolete. Export markets have been neglected and perhaps lost. The Federation's exports at the end of 1996 amounted to only 2-3 percent of their proportion of the republic's prewar value. Domestically, the 40 percent of industrial plant based on military production and already in crisis because of federal defense cuts during the 1980s has no prospect for revival, except in the unlikely event that the three ethnic sides agree on coordinated production among now geographically divided facilities and then find a customer to replace the Yugoslav army. Agriculture has been equally slow to recover, and unemployment probably exceeds 80 percent of a labor force recently augmented by demobilization, formal and informal.

Four major obstacles must be overcome if recovery is to reemploy a labor force with considerable skills, reestablish or develop export markets, and reconnect the several parts of Bosnia and Herzegovina. They are (1) political barriers to privatization, (2) the tax burden on legal wages, (3) the deficiencies in transport, communications, and customs control, and (4) the credit crisis created by the absence of a central bank and financial regulation. The enterprise directors, bankers, and economists whom we interviewed all looked to the September elections and the subsequent start of some sort of legislative process as the absolutely essential first step in addressing these barriers.

(1) Political Barriers to Privatization

The greatest post-election barrier to regularizing property rights and market institutions lies in the indeterminacy of Bosnia's political future as a single, if divided entity. Prior to the September elections and possibly afterwards, the influence of the ruling parties, particularly in the Serb and Croat areas, bars the way even within the three ethnic areas to the privatization process that is needed to establish clear title to economic assets. In all three areas, the election of separate and joint legislatures in September was used as an excuse for deferring any action on privatization before then. In the RS, the Pale authorities nationalized all commercial property in 1995, whether socially owned under the former Yugoslavia's system or private. The new constitutional court for Bosnia and Herzegovina has declared this decision illegal, leaving ownership and hence any process of privatization in limbo. Meanwhile, managers and employees who do not openly support the ruling SDS party face the threat of losing their jobs to others who do. The Croat authorities in Mostar exercise the same sort of leverage. They are also using privatization for ethnic consolidation, for instance declaring the wood processing enterprise in Drvar to be the property of political allies, despite the location of the former Serb labor force in Banja Luka as displaced persons.

The Bosniak, or largely Muslim area, faces less overt political control but still struggles with two further problems that muddy the process of privatizing ownership. One is the question of how to treat the partial privatization that Yugoslavia's last Prime Minister, Ante Marković, launched in 1989 in order to replace indeterminate "social ownership" and to attract foreign investors. The other is how to reconnect or divide assets of one enterprise located in more than one entity.

Both issues are particularly pressing for the largest prewar enterprises such as Energoinvest. Its Sarajevo headquarters has put forward a realistic plan for a

holding company that would allow subdivisions with a chance of survival to privatize themselves as legal entities. But without legislative authorization to reconcile partial, pre-1991 privatization with present proposals and also to reconnect assets in all three ethnic entities, they can do little to receive credits and restart production for exports. Such examples support the argument heard in the Sarajevo Chamber of Commerce (Privredna komora) that "privatization is the first condition for reconstruction." And elected legislatures, separate and joint, are seen as the first condition for addressing the combination of cash sales with vouchers that the Chamber and other business interests are proposing.

(2) Tax Burden on Legal Wages

Illegal trade surely continues on the basis of wartime smuggling connections, prewar criminals, and the local political power of police chiefs or military commanders. We had no way to judge its widespread reputation for being most prominent in the Croat areas of Herzegovina. But in the Muslim area, and to some extent in the Serb area, we found that contrary to some reports, enterprise managers were far less concerned about criminal enterprise and protection rackets as obstacles to legal business than pressing problems of taxation, transport, and access to credit. As noted above, subsequent sections treat the last two issues.

Enterprise contributions, or doprinosi, for a variety of tax charges added onto the wages paid to every employee were one of the most serious handicaps troubling the economic system of the former Yugoslavia, especially as it faced the need to be more competitive in international markets. Their total was however less than the wage bill itself. Those impositions pale against the Bosnian taxes currently collected for every German mark (or Yugoslav dinar in the RS) of legal wages paid. In the Muslim area, they range from 123 percent in Tuzla up to 168 percent in Sarajevo, where war damage justifies the higher rate. The 72 percent rate for Banja Luka, the RS town with the greatest potential for reviving legal business, seems low only by comparison. In addition, legal enterprises in both areas pay taxes exceeding 30 percent on profits.

Sarajevo's Chamber of Commerce cites this tax burden as one explanation for why only half of the city's employment is reckoned to be engaged in legally registered business. Their proposals to share the cost of reconstruction more widely await a legislative framework to consider them. The Bosniak government in Sarajevo meanwhile relies excessively on this revenue to support a large civilian and military structure. Even then, in its efforts to avoid printing an inflationary flood of the dinars that are barely one quarter the value of the officially accepted German marks in circulation, it is not paying civilian employees' salaries regularly and delays pension payments. A broader and fairer tax base could only come with comprehensive legislation. It must be operating by the end of 1998, when the wind-up of promised Western assistance and the salaries and benefits for former recipients of humanitarian aid from the domestic budget will pose a powerful inflationary threat.

(3) Transport, Communication and Customs Control

Customs revenue affords the Sarajevo government and its Federation successor the most obvious source for immediate fiscal relief. After prolonged negotiation, the Croat authorities controlling much of western Herzegovina and its lucrative border with Croatia, and hence the Adriatic Sea and the West, agreed to a first transfer of some 100 million marks worth of tariff collections to Sarajevo in July. The transfer offers no indication of the total amount collected or the value of goods moving across that border. We personally observed vehicles with "Herceg-Bosna" plates crossing that international border without stopping and numerous cars inside that territory with no plates at all.

The establishing of legally monitored yet open borders and transparent collection of customs is a priority not just for fiscal reasons. A consistent even if not unified regime around the external borders affirms the sovereignty of Bosnia and Herzegovina as separate from its neighbors, a point made most persuasively by presidential candidate Haris Silajdžić. At the same time, the borders to all of those neighbors should be open. The western border of the RS with Croatia, according to the European Community Monitor Mission, remains effectively closed to the great economic cost of the very business interests in Banja Luka and elsewhere in the western RS that wish to operate independently of political control by the ruling SDS party in Pale. The Zagreb government is reportedly resisting the reopening over concern that Bosnian Serbs' access to the Krajina will disrupt its territorial integration after the forced departure of its largely Serb population.

The free movement of goods and people across international as well as interethnic borders, as set down in the Dayton Accords, demands not only political agreement but also the physical means. IFOR has

therefore given the highest priority to reconstructing bridges and repairing major supply roads. Chambers of Commerce and enterprise directors placed more emphasis in our conversations on reopening or even constructing rail links. They provide by far the cheapest form of bulk transport, particularly in view of a poor prewar road network that would require an immense expenditure to improve over difficult terrain. The lines from Sarajevo south to Ploče on the Adriatic, north through Doboj to Zagreb and Belgrade, and east through Tuzla to Zvornik were called the top priorities. In addition to a catalogue of necessary mine removal, track, bridge and electric power repairs, we also heard great importance attached to the resulting traffic moving freely and without a change of trains in Doboj or Mostar.

Such wider, inter-entity projects for reconstructing transport and communications will require political agreement among all three ethnic leaderships. The current Bosniak leadership under Prime Minister Hasan Muratović has simply vetoed any expenditure of external funds that would be spent in the RS. The simple connection of the three areas by telephone has been held up by a three-sided insistence on separate networks and area codes that the European Community Monitor Mission calls "ludicrous". Its report and that of the U.S. Army on investment readiness make clear the particular inadequacy of the existing phone and power networks in the RS and also the rationing out of access on the basis of political favoritism rather than economic rationality. Only the rationing of Western assistance on the latter basis can overcome this sort of obstacle.

(4) Central Bank and Financial Regulation

When asked to appraise the relative need for capital, labor, and markets new or old, business leaders in both the Federation and the RS are unanimous in making capital their top priority. They desperately need access to commercial bank credit. The loans sought for reconstruction and then for initial working capital are not large, rarely over $1 million, but must be available on moderate and transparent terms. We found less concern than we had expected, in Sarajevo more than in Tuzla, over the loss of skilled labor to the huge outflow of refugees. We also worried over an expressed confidence in the capacity of large enterprises to recapture prewar markets in other parts of the former Yugoslavia, Europe and the Middle East. That confidence may be misplaced after five years of absence and also reflect an inadequate understanding of a market economy. But no attempt at reentering those markets can even be started without attention to the current credit crisis.

Hopes for relieving that crisis center on the pending creation of a central bank that would provide some inter-entity continuity and establish a proper regulatory framework for commercial banking, at least in the Federation. There are currently 30 banks operating in the Bosniak area and 9 in the Croat area, but they are neither connected between areas nor under a set of transparent regulations that guarantee borrowers legally enforceable terms or reasonable rates. Replacing bilateral clearing arrangements with such an established structure would also facilitate foreign trade; without it, for instance, the special paperwork required to certify payment for imports from or even exports to Germany adds another 10 days to any transaction.

A single central bank and financial framework across all of Bosnia and Herzegovina seems essential for the commercial survival of any of the three areas. The comparative advantage of industrial capacity across the Federation is concentrated in the smelting and mechanical engineering of metals, but the major mines of iron ore and alumina are on the Serb side. For agriculture, the most favorable land and productive capacity is in the western RS and the major urban markets in the Federation. In the words of one Sarajevo enterprise director, "a central bank will do more for us than anything Carl Bildt can do." According to another, "money through a central bank is the only tie available between the three parts."

Two summer 1996 meetings among the three sides made little progress because the Serbs and Croats sent low ranking representatives with authorization only to certify clearing agreements. Once again, however, the September elections were expected to play a decisive role in advancing the process. An elected Presidency is needed, under the terms of the Dayton Accords, to nominate the three members of the bank's Governing Board. (The two Federation members must share a vote in decision-making, so that the IMF-nominated and non-Balkan Governor can break the anticipated conflicts between the Muslim-Croat Federation and the RS). Business leaders in Banja Luka as well as Sarajevo and Tuzla will be pressing the post-election Presidency and parliament to turn immediately to the issues of the above-mentioned wages tax and the central bank. Prompt action on those issues is needed, as emphasized in the detailed plan of the High Representative for creating common institutions after the elections, to set

the stage for progress on privatization.

COMMERCIAL SECURITY AND THE WESTERN RESPONSE

The much discussed delay and difficulty in the civilian provisions of the Dayton accord are often laid at the feet of the various Western governments and international organizations charged with providing $5.1 billion of external assistance by 1998. Our inquiry did not find them blameless, particularly the delays in the American commitment. But we also identified problems deeply imbedded in the resistance of the three political leaderships to any steps that did not unambiguously favor their side. And the Dayton accord itself can be called contradictory for asking three wartime leaderships, who still maintain antagonistic political goals, to cooperate in creating an integrated market economy based on private enterprise. The failure of the international community to deliver anything close to the first third of its $5.1 billion commitment before the end of 1996 only underlines the importance of the next two years.

The business community to which virtually all of the promised Western assistance has been directed--the Bosnian, largely Muslim area of the Federation--has not been encouraged by what they witnessed by the summer of 1996. One director spoke of his enterprise's "general economic disappointment with the West." He and others described the overly large delegations of Western officials and private businessmen that had appeared for brief meetings and then moved on, never to be heard from again. Most delegations displayed little or no knowledge of the region past or present, falsely presuming underdevelopment comparable to the lower levels of the Third World and a previous system that imposed central planning on Soviet-style state enterprises. The official American concentration, since revised, in new small- or medium-sized enterprises seemed to leave out entirely the surviving large enterprises and their above-mentioned plans to decentralize. One poignant exception was the ill-fated mission of the late Secretary of Commerce Ron Brown, widely praised for asking and answering the right questions at length.

Let us consider the limitations in what was done during 1996 only in order to do better in 1997-98. The difficulties inherent in asking large civilian organizations, inexperienced in the region and financially responsible to multiple constituencies, to do anything quickly made a slow start predictable. So did the sense in the local communities for legal business that "everything is on hold until the legislative process begins after the September elections." During our July trips, both of us heard that sentence repeated more often than any other. Neither of these limitations need apply for 1997-98.

Our support for holding the September elections, should not however be taken for confidence that we can now count on effectively functioning government ministries and Houses of Peoples and Representatives (15 and 42 delegates respectively with equal shares to Muslims, Croats and Serbs). Nor can we assume that the joint three-person presidency, with Alija Izetbegović returned to office as chair for two years, will agree on important issues. The Dayton framework provides the three ethnic communities specific veto powers in the joint legislature and presidency that are likely to be used, and the Muslim-Croat alliance is most likely to breakdown in the face of economic and political disagreements.

While political issues will probably remain intractable, economic measures offer more hope for compromise at this highest level. The above-mentioned pressure from the several communities for legal business will help but must be supported by a coordinated Western response. That response will have to add positive incentives to the current pressures and it may need to go as far as the daunting political negotiation of a post-Dayton agreement among the three sides concerning economic conditions for the promised financial assistance. It may be less difficult to find an alternative mechanism grounded in the desirability for businesses on all three sides of common ground rules for legal operation.

A still easier sort of coordination may come from the Muslim-Croat Federation's Houses of Peoples and Representatives, its new cantonal governments with elected authority over municipalities (particularly strong until the postponed municipal elections are held), and the National Assembly of the RS. Their disposition to respond to more coherent business communities will be stronger than at the higher level. In either case, an avenue must be opened for enterprises and infrastructure in the RS to cross entity borders and to receive some of the promised one third of the $5.1 billion in Western assistance. To date, official American policy has supported the Sarajevo government's veto, aided by Pale's reticence, on any such access.

Even in that government's now largely Muslim territory, which includes the clear majority of Bosnian industrial assets, we found no sign that private foreign

investors would make any significant contribution to economic recovery until it was well under way. Western company representatives who have visited the territory also left local businessmen with the understanding that investment would follow only when all of the legal and financial framework emphasized above was in place and could be seen working in case of disputes.

The responsibility for putting that framework in place therefore becomes the crucial issue for Bosnian economic recovery post-1996. Such a framework will be crucial to the longer-term success of the most promising of the several American initiatives launched by the Agency for International Development (AID). The Bosnian Reconstruction Finance Facility (BRFF) opened for business in June 1996. Under a consulting contract from AID, half a dozen experienced American bankers and loan officers have been assembled, first in offices in the National Bank building in Sarajevo and by August in Tuzla as well. Working as an independent agency and supported only by a small local staff, they may over the period 1996-98 authorize up to $268 million in medium-sized loans to enterprises seeking to repair damages or increase employment in "essential industries." Loans range up to one million marks ($667,000), a large enough sum as noted above to make a real impact. They are being offered on the encouraging terms of 8-9 percent interest for three years' repayment after a year-and-a-half grace period. Initial instructions to lend only to small-scale, already private enterprises have been wisely amended to include firms of any size with plans for privatization. The target of tendering $60 million worth by January 1997 has also been shortened to this fall. By July of this year, some 400 applications had already been received for the Sarajevo area alone and the first loans were being dispensed.

The other side of the project, however, is to dispense loans not directly from the BRFF but through one of the existing commercial banks. Their loan officers are to be trained in the process and their banks prepared to take over risk assessment and loan approval. Such technical training for individual banks as the road to financial reform will be of little value unless the commercial banking system as a whole is made competitive and accountable to a transparent financial framework under a central bank. Otherwise, bribes and political favors will regulate access.

The present lack of accountability is one reason that only a handful of the projects foreseen under the World Bank's $5.1 billion reconstruction package have actually broken ground. Signatures of Bosnian government or municipal officials are not acceptable as asset owners offering secured property against failure to repay. Another reason is that the various Western governments and official agencies pledged to work with the World Bank have not proceeded with the coordination necessary in view of the bank's commitment to provide only 25 percent of the package from its own resources. Other donors must provide 75 percent of the $5.1 billion, to be extended primarily as soft loans (.75 percent interest over 35-40 years). Each of them seem to be proceeding autonomously, according to one international official because they wish to avoid blame for any overall failings. In the meantime, just $27.1 million of the $922 million planned for 1996 projects had been dispensed by early August and contracts signed for another $88.3 million. The World Bank assembled a large staff in Sarajevo, which operates, according to the enterprise directors, bankers and economists with whom we spoke, only a modest program of business loans, which have been slow in coming and are too small in size (typically under $100,000) to meet the needs of any but the smallest enterprise.

Closer Western coordination will be further required if the leverage inherent in the $5.1 billion commitment under World Bank aegis is to be deployed against the resistance of the three ruling parties to seek some common commercial ground. They must give up some of their political power over their respective economies as well.

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[1] We consulted with virtually the full range of Western representatives from several embassies, the European Community Monitor Mission, the Organization for Security and Cooperation in Europe (OSCE), the Office of the High Representative (OHR), the UN Mission for Bosnia and Herzegovina, the World Bank, and U.S. Agency for International Development (AID) contractors as well as the NATO-led Implementation Force (IFOR). In this report, however, we draw on those sources of information only where they contribute to our understanding of what prospects for security and recovery the Bosnian business community itself foresees during the next years. We met with enterprise directors, chamber of commerce (*Privredna komora*) members, bankers and economists in Sarajevo, Tuzla, Zenica and Banja Luka, as well as with economists in Zagreb, Belgrade and at the Second Dubrovnik Conference on Transition Economies. The number consulted were not statistically significant, but

the judgments sufficiently consistent to appear representative. Their answers to a dozen basic questions, supported by the strikingly uniform opinions of Western representatives on the ground, form the primary basis for the detailed report that follows.

We also draw on several unpublished written reports recently prepared by both Bosnian and international organizations. Most prominent are three, the series of papers assembled under the direction of Kemal Hrelja and the Ekonomski Institut of Sarajevo for a UNDP project on the Bosnian Federation's economic transition, a U.S. Army report on cooperation and investment readiness in the northeast of the Federation and the RS, and the micro-economic survey of the Banja Luka region prepared by the European Community Monitor Mission. The most recent published report is the World Bank's August 5 "Update on the Reconstruction of Bosnia and Herzegovina."

Notes for Remarks to the Seminar on Bosnia and Herzegovina

Hon. John M. Reid, P.C.
Member of the Provisional Election Commission of Bosnia and Herzegovina, and Special Advisor on Elections to the OSCE Mission to Bosnia and Herzegovina

INTRODUCTION

I left Canada for Sarajevo at the end of January 1996 to participate in the work of the Provisional Election Commission, established under the Dayton Peace Accord. When I arrived, IFOR troops were still coming in to Bosnia and Herzegovina; the country was only beginning to realize that the fighting was not going to break out again in the spring; and the multitude of outsiders was beginning to appear.

Dayton Peace Accord

I am a strong supporter of the Dayton Peace Accord. It stopped the killing in Bosnia and Herzegovina. There were no victors in that war. It ended because the former warring factions were tired and exhausted; and because the international community finally stepped in to force a truce. That is what was created by the Peace Accord: a truce, enforced by the very considerable military might of NATO. Even after successful elections, that truce endures today, but there is not yet a peace in Bosnia and Herzegovina. Before that comes about, considerable time and effort will have to go into the process.

One of the objectives of the Peace Accord is to put Humpty Dumpty together again. Bosnia and Herzegovina has been riven by bitter fighting among its three ethnic groups. The war stopped only ten months ago. The memories of war, and all that means in terms of bitterness and a profound lack of trust within and between ethnic groups, are still strong. Civil wars are especially bitter, and this was one of the worst. The attempt to put Humpty Dumpty together again will not be easy, if it is possible, but if this project is to have a chance of success, the international community will have to be aggressive in pushing the process.

Military Realities

As the instrument to stop the fighting and to separate the three warring factions, the Dayton Peace Accord has been an unqualified success to date. The annexes dealing with the military responsibilities are precise and detailed. The lessons learned from UNPROFOR days have been understood by the drafters of the Peace Accord. The IFOR command has the power to implement its part of the agreement without reference to others. IFOR has carried out its responsibilities with distinction. It can be argued, though, that IFOR has had the easiest mission of all since it came in sufficient force to overwhelm any faction or combination of factions that wanted to take them on. This has not prevented the former warring factions from continually testing IFOR at all times and places. Almost every day, there were reports from IFOR as to new tests by the warring factions that they had to deal with. But their mandate was clear and unambiguous and they have fulfilled it with distinction. Their success was a pre-condition for any other action by members of the international community.

Remember that there is no peace yet among the Parties. So it was necessary to have a follow on force to replace IFOR with its mission concluded on 14 December 1996. Without sufficient military forces in Bosnia and Herzegovina after IFOR departed, I believe it would not have taken long for fighting to resume. Having entered the fray, the international community now has an obligation to keep strong military forces in Bosnia and Herzegovina for some time until the memories of the bitter civil war recede and some sense of normalization returns. It will be some time before

there is a peace to keep.

What are not needed in Bosnia and Herzegovina are "peacekeepers" without powerful military equipment and a mandate to ensure that the truce is kept. What is needed is a continuation of the existing military mandate to guarantee the citizens of Bosnia and Herzegovina the ability to resume their lives, to rebuild their country and to provide confidence so that international investors in Bosnia and Herzegovina will know that their investments in infrastructure, reconstruction and businesses will not be wiped out suddenly. If the international community is not able to provide that type of security, then the path of normalization will be extremely slow because of the ever present possibility of fighting breaking out again.

Recovery and Economics

What the international community is trying to deal with in Bosnia and Herzegovina is a collapsed communist structure. One of the reasons for the war was the deteriorating economic circumstances in former Yugoslavia. If you ask the citizens of Bosnia and Herzegovina what they want, they answer by saying they want to go back to the good old days under Tito. They had work, there was peace and prosperity, they had leisure. The political leadership is Bosnia and Herzegovina appears to accept this goal, in fact, they themselves would like to go backwards as well, since this means more power for them. The current political leadership does not want to give power away; on the contrary, it wants to amass as much power in its hands as possible. To decentralize, to sell off state assets, to privatize state industries (what is left of them), to devolve power to other levels of government, to admit that elections are a legitimate way of changing governments, these are all foreign concepts and if they are understood at all, they are rejected out of hand.

Economics and politics are very close together in communist countries and Bosnia and Herzegovina has a strong communist past, evident in the three main parties, the SDA, SDS and HDZ, which emerged from the Tito communist party. For the international community to convince Bosnians of all stripes to make those changes will be a difficult political challenge, especially since we ourselves are still debating these ideas. Still, progress must be made on the economic front or there will be no peace. Most of the factories were destroyed in the war, but because they were built on the massive communist scale, many of them were already obsolete in any case; however, the asset has been destroyed. However, the population in the larger cities, for example, Sarajevo, appears to be quite well trained.

There have been some small but useful international initiatives to establish some economic activity. The British, for example, have gone to find all those who ran small enterprises before the war and provided them with easy loans. The World Bank has launched a project similar to this in other regions. But there is very little economic activity going on outside of the summer proliferation of outdoor cafes and renovation of stores. In the aftermath of the war, there is little funding with Bosnia and Herzegovina itself to support reconstruction of the economy.

Conflict Resolution

A good part of the Peace Accord is based on conflict resolution. For example, the concept of elections being held within nine months of the formal signing of the Accord is one of a number of items. The Regional Stabilization Program, designed to create mutual confidence between the armies of the former warring factions, is an activity in which the OSCE has had considerable experience in Europe. The OSCE and the Office of the High Representative have human rights programs in place, supporting the ombudsman projects of the UN. In contrast to the deliberate powers given to IFOR to ensure a military truce, the Peace Accord gave little, if any, power to the international community organizations responsible for bringing political change about in Bosnia and Herzegovina. The Office of the High Representative and the OSCE have the power to convince, but they have no stick and no carrot either.

The purpose of conflict resolution is to provide another way of settling disputes. It is designed to ensure that there are no surprises, that all parties have the relevant information, and that the rules of engagement and discussion are clear and understood by all parties. It works best if the parties can be caught up in exercises which are important to them and from which all parties can "win." This is easier said than done. For example, in the case of the OSCE Regional Stabilization program, it means keeping the military commanders talking while obtaining the necessary information from each party to ensure there are no surprises. In a truce situation, this is not an easy task.

To give an example of the ongoing political activities of the former warring factions, consider the phenomena of ethnic cleansing. Annex 7 of the Peace Accord gives the right to refugees and displaced persons to return home, to where they lived in 1991 before the war broke out. It is a key part of the Accord. After the truce,

ethnic cleansing continued unabated. UNHCR reported in late August 1996 that over 90,000 persons more had been removed from their homes and had become displaced persons in Bosnia and Herzegovina or refugees since 14 December than had been resettled to where they had lived in 1991. As Alia Izetbegovic, the President of the Republic of Bosnia and Herzegovina, stated, "the war continues, but by other means." As a result, UNHCR has been unable to meet any of its goals in resettling refugees and displaced persons. Annex 7 is a dead letter presently. This is an example of the lack of authority and power of the international community.

In my judgment, the defining moment in the Dayton Peace Accord process came in late February when the Republika Srpska government put enormous pressure on Serbs living in Sarajevo to move out to the Republika Srpska. They used terrorist tactics on their own people to force them to move away, aided and abetted by the Federation of Bosnia and Herzegovina. The international community was unable to prevent this mass movement of Serbs out of Sarajevo. Many Serbs departed out of fear because law and order broke down, people who did not want to leave were beaten. Some left out of conviction as well. When they left, they went with everything they owned or could grab.

The incident showed the powerlessness of the Peace Accord political agencies, mainly the Office of the High Representative and the OSCE, in still relief. The entities, the former warring factions, understood from this exercise exactly what power the international community agencies had and, more important, what international will there was to interfere in their domestic activities. They became much more aggressive in following their policies of ethnic cleansing and creating little "statelets" out of the entity border, the IEBL.

Constitutions

Over the past few years, Canada has developed a reputation for spawning a new breed of international consultant--the constitutional export. In our debates over national unity, we have developed a group of people who have spent a great deal of time and effort imagining new and different constitutional formulas. We find the fruit of their thinking in countless op ed pages across the country. Words like "asymmetrical" take on a new meaning when you see the concept embodied in a real constitution such as those now in effect in Bosnia and Herzegovina.

The Peace Accord established a new constitutional structure for Bosnia and Herzegovina. It creates a weak central government, and somewhat stronger entity governments. On the Federation side, it creates 10 cantons (our Provinces); and in both entities, municipalities, which are rather more akin to regional governments than our concept of municipalities. The intent of the Dayton constitutions (and those that came before out of the peace process) is to drive power down to the local level, on the assumption that this is where the moderates will have the greatest clout. This is not normally the case, however, and the jury is still out on this assumption. The Presidency of Bosnia and Herzegovina is a three person rotating one, with a person to be elected by the Serbs from Republika Srpska, and a Croat and Muslim from the Federation. There are very elaborate control systems in place to ensure that all ethnic groups have an effective veto over anything that anyone else wants to do, whether they are in the Presidency or in one of the legislatures.

In contrast to the Federation structures, that of the Republika Srpska is lean and mean: a presidency and a legislature of 83 members, modeled on the U.S. system. Before the recent elections, the legislature passed a constitutional amendment to create what was described as an "advisory" appointed Senate. All legislatures are elected by proportional representation systems. The Federation of Bosnia and Herzegovina has a much more complex structure because it must house both the Croats and the Muslims in the same entity. It has the same municipal base as the Republika Srpska but the municipalities are grouped into Cantons, with considerable power. The Cantons elect representatives to the second Chamber of the Federation. The proportionally elected Federation House of Representatives has 140 members. It elects the President of the Federation of Bosnia and Herzegovina who then appoints the Prime Minister.

This is a very complex structure. Just at this level over 650 individuals were elected. When we were running five elections in each entity, including the municipal ones, there were over 28,000 candidates and 41 political parties. The number of parties was a great surprise and the number of candidates was an even greater shock, especially since the PEC had tried to ensure that only serious parties could be nominated. The amount of political activity to keep this constitution going is astonishing for a total population of between 4 to 4.5 million, many scattered all over the world and at least one third of whom are displaced within their own country. It will not be easy to manage--or to afford--this complex system.

Elections

The elections held on 14 September 1996 in Bosnia and Herzegovina were successful. The circumstances were not ideal, considering that nine months before they were trying to kill each other. But these were designed to be provisional, temporary and, under the circumstances, imperfect elections. There will be new elections in two years as the mandate for all elected under the Provisional Election Commission's Rules and Regulations was limited to September 1998. At that time, perhaps, conditions will have improved.

In modern times, since the breakup of former Yugoslavia, there have been only two elections in Bosnia and Herzegovina, the first in 1991 and the referendum of 1992. The OSCE mandate was to supervise the elections, with the entities running them. In fact, it took considerable effort by the PEC and the entity governments to create the Local Election Commissions, who had responsibility for actually delivering voter registration and conducting the balloting. In the aftermath of the war, it was no surprise that only 30 percent of the polling stations had electricity, more than half were open to the air. Many of the former polling stations no longer existed.

There was great enthusiasm for the election by the opposition parties. When party registration was closed, 50 political parties had registered. After coalitions had been formed, 41 political parties and coalitions were prepared to fight the five elections in each entity. The political parties produced over 28,000 candidates for the positions to be filled. The PEC had a mammoth job to ensure that none of these candidates were war criminals (we found two), and that they met the rest of the criteria. Of course, when the municipal elections were cancelled, the number of parties and candidates participating in the elections dropped off significantly.

There was excellent work done by NGOs from the U.S. and Western Europe to educate and train the opposition political parties. The elections were a success, however, because the big nationalist parties, the SDS, SDA and the HDZ, decided that it was in their own best interests to cooperation in the elections and to ensure that they were done properly.

Conclusions

What did the elections accomplish? First, they satisfied the strictures of the Peace Accord which called for elections by 14 September 1996. Second, they established the new constitutions, designed to put Humpty Dumpty together again. Third, they legitimized the existing governments in the eyes of the international community; they were already legitimate in the eyes of the populations. Fourth, they legitimized the opposition parties in the eyes of their populations. This was accomplished in the face of vicious attacks on them by the three large nationalist parties who openly campaigned on the slogan that a vote cast for any other party but them was a vote for another ethnic group. Lastly, the elections opened the possibility for some normalization of the situation in Bosnia and Herzegovina, to allow them to put the war behind them and to plan for the future.

This will not be easy. There is a truce in Bosnia and Herzegovina today and its continuation and its development into peace will depend on a strong international military presence. There are a number of areas like Brhc where fighting could easily break out again. The little authority the international community organizations had, has been diminished by the elections. Yet their presence is important because there are pressures that can be brought to bear by the international community from time to time. Having intervened to end the war, the international community has no choice but to stick it out for the longer term. For if it does not, then it will lose its investment in peace and inevitably will be dragged back to Bosnia and Herzegovina to try to end the next outbreak.